

Local Government, Housing and Planning Committee

1st Meeting, 2024 (Session 6)

Tuesday 9 January 2024

Evidence session on the Scottish Government Budget 2024-25

Introduction

1. The purpose of this paper is to provide information for the Committee's evidence session with Local Government Directors of Finance on the Scottish Government Budget 2024-25.
2. The Committee will take evidence from—
 - Martin Booth, Executive Director of Finance, Glasgow City Council;
 - Kirsty Flanagan, Executive Director, Argyll and Bute Council;
 - Jamie Robertson, Chief Financial Officer, East Dunbartonshire Council;
 - Sarah Fortune, Executive Director for Council Resources, East Lothian Council
3. The Scottish Government's Budget for 2024-25 can be accessed via the following link—

[Scottish Government Budget 2024-25](#)
4. A SPICe briefing on the budget can be accessed via the following link—

[Scottish Budget 2024-25 | Scottish Parliament](#)

Background

5. The focus of the Committee's session with local government directors of finance will be on the allocation of funding for local government in the budget.
6. The Committee's pre-budget scrutiny this year focussed on workforce issues in local government, with the Committee sending the Minister for Local

Government Empowerment and Planning a letter based on evidence sessions held in September. A copy of that letter can be accessed below:

[Correspondence from the Local Government, Housing and Planning Committee to the Minister for Local Government Empowerment and Planning](#)

7. The Scottish Government's response was received by the Committee on 6 November and can be accessed below:

[Correspondence from the Minister for Local Government Empowerment and Planning to the Local Government, Housing and Planning Committee](#)

8. The Committee will explore the Scottish Government's response with directors of finance as well as the broader conversation about the allocation of funding for local government.
9. The Committee has been exploring issues around the funding of local government throughout the session, as well as the relationship between local and central government more broadly.

New Deal with local government

10. In particular, the Committee has given close scrutiny to the New Deal with Local Government.
11. The Minister for Local Government Empowerment and Planning wrote to the Committee on 18 July 2023 to advise it of the New Deal's publication. The letter can be accessed here: [Joe Fitzpatrick - Minister for Local Government Empowerment and Planning \(parliament.scot\)](#)
12. The text of the Partnership Agreement itself can be accessed here: [New Deal with Local Government – Verity House Agreement - gov.scot \(www.gov.scot\)](#)
13. The New Deal is described as a high-level statement of intent upon which the Scottish Government and COSLA intend to build as follows—

By end September 2023:

- Improved engagement on budgetary matters will be well underway, in preparation for the Scottish Budget in December
- We will conclude a Fiscal Framework between Scottish Government and Local Government, of which regular budget engagement will be a key part.
- We will develop and agree a shared programme of activity underneath each of the three priorities, which will focus on the period between now and the next Scottish Council Elections in 2027.

By end October 2023:

- A first joint review of Specific Grants and In Year Transfers to Local Government will be undertaken with a view to identifying those which can be baselined into the General Revenue Grant or General Capital Grant from financial year 2024-25, creating more freedom and flexibility for Councils to address our shared priorities in locally appropriate ways.

By end August 2024:

- We will have jointly considered the first year of implementation of the Verity House Agreement and the Fiscal Framework as a whole, and agree any alterations or addendums required to ensure the ongoing effectiveness of these two key documents.

14. The Verity House Agreement had committed the Scottish Government to completing certain strands of work by the end of September. The Deputy First Minister and President of COSLA [wrote jointly to the Committee on 5 October](#) to update it on progress to date. The letter states that—

“Whilst we have set ambitious timescales to ensure we move at pace, we collectively agree that we need to get this right, therefore there is a balance between achieving specific deadlines and taking the time where needed to do further work if required.”

15. The Deputy First Minister also responded to a Parliamentary Question seeking an update on negotiations with COSLA to agree a new Fiscal Framework with Local Government on Thursday 14 December.

16. The DFM announced that the Scottish Government and COSLA had jointly published a progress report on the Fiscal Framework which can be accessed online here: [Progress Publication, December 2023: Fiscal Framework between Scottish Government and Local Government \(www.gov.scot\)](#)

17. The report states that “progress has been made on a draft framework” but there “remains more to do” with both parties acknowledging “that there is a need to consider the options and impacts of a rules-based approach to setting the budget for local government, and joint exploration of that is ongoing.”

Council Tax Freeze Announcement

18. The Committee has explored the potential impact of the council tax freeze on local government budgets and this meeting will provide a further opportunity to explore this issue.

19. On 17 October 2023 the Scottish Government announced its intention to freeze council tax rates for the coming financial year. This would mean that

council tax would be frozen until April 2025. The Scottish Government also committed to fully funding the freeze to ensure councils can maintain their services.

20. The following day (18 October) COSLA expressed considerable disappointment about the announcement. COSLA stated that—
- It had not been made aware of the announcement prior to it being made;
 - there had been no agreement from councils to the council tax freeze and moreover that such decisions should be left to local authorities to make;
 - the decision “flew in the face of the Verity House Agreement”;
 - “... previous council tax freezes have been regressive, having no impact for the poorest in society and eroding the council tax base, compounding councils' ongoing underfunding.”
21. This announcement, and the response to it, came after the Committee had concluded its evidence taking on pre-budget scrutiny for 2023-24. As such, without the opportunity to take any evidence on the decision, the Committee concluded that it could not draw any conclusions on the impact of the council tax freeze on local government budgets and the VHA.
22. However, the Committee agreed to invite the Scottish Government and COSLA to give evidence at its meeting on 14 November to consider the impact of the decision on local government budgets and more generally on the VHA.
23. COSLA was unable to attend the meeting, but the Committee took evidence from the Minister for Public Finance, Planning and Community Wealth. Links to the meeting papers and official report can be found at paragraph 27 below.

Previous Work

24. The Committee has previously held several evidence sessions to inform scrutiny of the New Deal, hearing from representatives of local government, COSLA, SOLACE and community groups. The meeting papers and official reports can be accessed on the Committee's website: [Local Governance Review and New Deal for Local Government | Scottish Parliament Website](#)
25. The Committee also held a joint event with Scotland's Futures Forum in May 2023 on the future relationship between local and central government in Scotland which brought together MSPs and a range of stakeholders from central and local government, academia, and the public, private and third sectors. The report of the event can be accessed via the following link: [Central and Local Government: Building for the Future - Event Report \(scotlandfutureforum.org\)](#).

26. The Committee then took evidence on the VHA jointly from the Minister for Public Finance, Planning and Community wealth and COSLA on 5 September 2023. The meeting papers and official report can be accessed on the Committee's website: [Local Government, Housing and Planning Committee 19th Meeting, 2023 | Scottish Parliament Website](#)
27. The Committee also took evidence on the council tax freeze announcement from the Minister for Public Finance, Planning and Community wealth on 5 September. The meeting papers and official report can be accessed on the Committee's website: [Local Government, Housing and Planning Committee 27th Meeting, 2023 | Scottish Parliament Website](#)
28. Most recently the Committee sought an external perspective on the VHA taking evidence at its meeting on 19 December 2023 from:
- Dr Jonathan Carr-West
 - Professor Jim Gallagher
 - Professor Donna Hall
29. The meeting papers and official report can be accessed on the Committee's website: [Local Government, Housing and Planning Committee 31st Meeting 2023](#). Moreover, at that session the Committee explored the Local Government Information Unit's recently published report on [The state of local government finance in Scotland](#)
30. Further to this last session, Jubilee Scotland has written to the Committee in relation to Public Private Partnerships highlighting papers the Committee may wish to take into account as part of its budget scrutiny:
- [The Introduction of the new MIM model in Scotland: a poor decision, poorly taken by Jim Cuthbert](#)
 - [Financing Public Scotland – A Proposal for an Alternative to Public Private Partnerships](#)

Next steps

31. At its next meeting on 16 January 2024 the Committee will take evidence on funding allocation for local government from firstly COSLA and then secondly from the Minister for Local Government Empowerment and Planning.

**Committee Clerks,
January 2024**